

Memorandum

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Be energy efficient!*

To: STEVEN E. KIRKPATRICK
Deputy Director
District 3 Maintenance and Operations
Original Signed By

Date: February 15, 2008

File: P3030-637

From: GERALD A. LONG
Deputy Director
Audits and Investigations

Subject: District 3 Maintenance Office Review

Attached for your information is Audits and Investigations' (A&I) final report for the District 3 Maintenance Office Review. This review was performed as a management service to you for your consideration in the oversight role of the maintenance offices.

We thank you and your staff for its assistance during our review. A&I's review is an independent internal review intended to provide you with feedback for your management's consideration.

If you have any questions or need additional information, please call Laurine Bohamera, Chief, Internal Audits, at (916) 323-7107 or me at (916) 323-7122.

Attachment

c: Jody Jones, District Director
Steve Takigawa, Chief, Division of Maintenance, Headquarters
Laurine Bohamera, Chief, Internal Audits

P3030-637
District 3 Maintenance Review
February 2008

Gerald A. Long

Deputy Director

Audits and Investigations

California Department of Transportation

DISTRICT 3 - MAINTENANCE REVIEW

SUMMARY

Audits and Investigations (A&I) has completed a Maintenance Review of District 3. The purpose of the review was to assess whether accounting and administrative procedures were being followed, that fiscal data was being entered properly into the accounting system, and that proper measures were in effect to safeguard the Department of Transportation's (Department) assets. The review was performed as a management service to you for your consideration in the oversight role of your maintenance and operations unit.

Our examination of the accounting records and control procedures was based on the District's compliance with the Department's Accounting Manual, State Administrative Manual (SAM), and departmental policies and procedures. The scope of our review covered personnel time and payroll records, overtime and warrant distribution procedures, petty cash, damage reports, and other records and tests as deemed necessary.

Our review disclosed that the accounting records and control procedures followed by the District 3 Maintenance and Operations Unit were generally in compliance with the Department's Accounting Manual, SAM, and departmental policies and procedures, except as follows:

- Inadequate Controls Over Explosives
- Weaknesses Over Home Storage Permits
- Weaknesses in Controls Over Chemical Inventory
- Weaknesses in Controls Over Bulk Fuel Inventory
- Damage Reports are not Validated in a Timely Manner

OBJECTIVES

The objectives of the Maintenance Review were to assess whether accounting and administrative controls are being followed, fiscal data is being entered properly into the accounting system, and proper measures are in effect to safeguard the Department's assets.

SCOPE AND METHODOLOGY

The scope of our review included personnel time and payroll records, overtime and warrant distribution procedures, petty cash, purchases, damage reports, bunkhouses, cookhouses, and other records and tests as deemed necessary. Our methodology consisted of interviewing personnel, reviewing records, and performing other analytical procedures and tests, as necessary.

The period of the review focused on District transactions and operations from September 1, 2006, through April 30, 2007.

DISTRICT 3 - MAINTENANCE REVIEW

RESULTS

The maintenance review disclosed that District 3 Maintenance and Operations generally followed accounting and administrative procedures, entered fiscal data properly into the accounting system, and took proper measures to safeguard the Department's assets. However, we identified the following weaknesses where internal controls can be improved:

- Inadequate Controls Over Explosives
- Weaknesses Over Home Storage Permits
- Weaknesses in Controls Over Chemical Inventory
- Weaknesses in Controls Over Bulk Fuel Inventory
- Damage Reports are not Validated in a Timely Manner

For further information, please see the Attachment.

We hope this review proves useful in your oversight role of the District 3 Maintenance and Operations Unit. If you have any questions, please contact Laurine Bohamera, Chief, Internal Audits, at (916) 323-7107.

Original Signed By

GERALD A. LONG
Deputy Director
Audits and Investigations

August 3, 2007
(Last Day of Field Work)

Attachment

Audit Team:
Ken Craig, Chief, Internal Audits
Kevin Yee, Audit Supervisor
Rose Khylyn, Auditor
Dawn Beyer, Auditor

ATTACHMENT

DISTRICT 3 MAINTENANCE REVIEW

1. Inadequate Controls over Explosives

Background:

District 3 stores explosive materials at the South Lake Tahoe and Sierraville maintenance stations. Our review of explosive materials was limited to the South Lake Tahoe maintenance station.

Issue:

Our review of inventory controls over explosive materials revealed the following:

- No receiving and/or transfer records for explosive materials that were transferred from blaster training classes to South Lake Tahoe for storage.
- Explosives on hand were not reflected in either the Integrated Maintenance Materials and Management System (IMMS) or the Services and Supplies System (SVS).
- Complete inventory was not taken of liquid explosive components.
- Missing counter-signatures on the physical and perpetual inventory sheets.

The Caltrans Maintenance Blasting Manual, Chapter VII – Record Keeping, states an accurate magazine inventory shall be kept.

The Caltrans Maintenance Manual, Volume II, Chapter 3 – Managing Materials and Supplies, Section 3.1, states that all maintenance materials purchased by the Department for future use shall be safely and securely stored and shall be recorded in the SVS inventory and IMMS system until charged to use.

Good business practices dictate that two employees perform and document the monthly physical inventory. In addition, perpetual inventory logs should be certified by two counter-signing employees.

Lack of good inventory control procedures over explosive materials could result in the loss of sensitive State property and increased safety concerns for the general public.

Recommendations:

We recommend that District 3 Management:

- Enforce procedures for documenting all transactions related to explosive materials and components, and record all activity in IMMS and SVS. This will ensure that all explosive materials and components are inventoried.
- Ensure monthly physical inventories are verified and counter-signed by an independent person.

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DISTRICT 3 - MAINTENANCE REVIEW

- Require two employees to counter-sign the in/out transfers of explosive materials and components when removing and returning items to storage.

2. Weakness over Home Storage Permits

Background:

A Home Storage Permit (HSP) must be obtained when a State-owned vehicle is stored at an employee's home for more than 72 nights over a 12-month period or for more than 36 nights over a 3-month period. The Personal Use of State Vehicle One-Way Commuting and/or Round Trip form (PM0041) must be filed with the Division of Accounting for employee benefit (income) purposes for State and federal tax purposes.

Issue:

Our review of four HSPs selected for Sunrise Region and Sutter/Sierra Region revealed that employees are not consistently filing the PM0041 form that reports the use of State vehicles for personal use as income. Additionally, employees are not electronically logging vehicle mileage in the Car Tags Online Usage form on a weekly basis.

Deputy Directive (DD)-28-R2, Vehicle Home Storage Permits, issued July 2006, requires employees and supervisors to follow the Home Storage Permit Guidelines issued by the Division of Equipment that requires documentation of mileage and the filing of form PM-0041, Personal Use of State Vehicles to the Division of Accounting.

The Division of Equipment's Vehicle Home Storage Permit Guidelines, dated June 2006, requires the HSP Coordinator to maintain for two fiscal years, home storage permits, cost benefit analysis for Type B permits, and vehicle mileage to be logged electronically in the Car Tags Online Usage form on a weekly basis.

The Regional Administrative Officers stated that employees were not required to complete the PM0041 forms, because employees did not use the vehicles to commute between their homes and office. In addition, mileage was not entered into the Car Tag Online Form on a weekly basis, instead time and use is reported in the IMMS. However, the IMMS system does not interface with the Car Tags Online system.

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Recommendation:

We recommend that employees and supervisors in the district comply with DD-28-R2 and the Division of Equipment's Vehicle Home Storage Permit Guidelines in administering HSPs.

3. Weaknesses in Controls over Chemical Inventory

Background:

Chemicals are stored at the Northgate Facility. This inventory is tracked in the IMMS and warning signs are posted outside of the storage facility. Each day, the crew is assigned a specific amount of chemicals to take into the field.

Issue:

We reviewed the chemical site storage facilities and found that a physical inventory of chemicals on hand to what was recorded within the IMMS revealed discrepancies for four inventory items (Dimension Ultra, Endurance, Roundup and Turf Trax). In addition, we noted chemicals on hand, which are not currently legal to use, are still in storage and not inventoried in the IMMS.

The Caltrans Maintenance Manual, Volume II, Chapter 3 – Managing Materials and Supplies, Section 3.1, states that all maintenance materials purchased by the Department for future use shall be safely and securely stored in a Central Storage facility and shall be recorded in the SVS inventory and IMMS Parts System until charged to use.

According to the Superintendent, he inherited some of the chemicals, which were no longer legal to use, from the prior Superintendent. He felt that it was inappropriate to enter the chemicals into IMMS since they could not be used.

Lack of good inventory control procedure results in inaccurate inventory reports and increases the risk of loss. In addition, chemicals on hand that are no longer to be legally used present an unknown hazard to employees and/or the environment.

Recommendation:

We recommend that a complete inventory of all chemicals on hand be performed, and the IMMS be updated to reflect current stock balances. In addition, chemicals on hand that are not currently legal to use should have proper disposal.

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4. Weaknesses in Controls Over Bulk Fuel Inventory

Background:

District 3 Maintenance and Operations has 20 bulk fuel sites located throughout the district. We selected to review the South Lake Tahoe facility's control procedures over the bulk fuel process. The bulk fuel process is electronically tracked (automated EJ Ward system) in Sacramento by the Division of Maintenance-Office of Emergency Management (OEM).

A monthly Recapitulation of Bulk Fuel, Form FA0095, is prepared to compare amounts, and variances in excess of 2% should be investigated by the district.

Issue:

Our review of the South Lake Tahoe facility revealed that the district prepared the monthly FA0095. However, the form was not signed or submitted to the Division of Accounting. The district believed that Headquarters no longer needed the recapitulation sheets; and therefore, they did not forward the form to Division of Accounting.

Division of Equipment, Material Procedures 4.7.2.02, Bulk Fuel Recapitulation, requires the receipt of fuel be entered on Form FA0095, along with other required information. In addition, the form is to be submitted monthly to the Division of Accounting.

State Administrative Manual Section 20050 requires that State entities establish and maintain internal and administrative controls to ensure the proper safeguarding of assets.

The Department's procedures are unclear whether OEM or the district has the responsibility for reconciliation, accuracy, and investigation of the bulk fuel automated systems readings.

Recommendation:

We recommend that the district work with the Division of Maintenance to determine responsibilities for reconciliation, accuracy, and investigation.

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5. Damage Reports are not Validated in a Timely Manner

Background:

Dispatchers, supervisors or superintendents file Service Requests for traffic control and emergency calls, which report incidents of damage to State infrastructure. Supervisors obtain the Traffic Collision reports and identify the service request number assigned to the call. The system then assigns an accident log number to the service request number. Once an accident log number is assigned, the Division of Accounting - Office of Accounts Receivable Damage Claims Unit (OARDCU) can monitor the cost of repairs. After all the work orders are completed, the Maintenance Administrator electronically transmits each accident log to OARDCU for billing.

Issue:

We reviewed twenty-two accident log reports at the Sunrise Region and Sutter/Sierra Region, and found that ten out of twenty-two logs were not validated within the required 90 days.

According to Sunrise region personnel, low priority work is not completed until high priority work has been completed, resulting in validations occurring more than 90 days after the accident day.

According to Sutter/Sierra region personnel, the delays in validating claims was the result of staff turnover, and the person responsible for processing the claims was working two desks. They have hired new staff and are in the process of clearing the backlog.

The IMMS District Crews Training Manual, Damage Report Section, Business Rules, page 156, states, in part, Caltrans current 90-day policy for completing all Work Orders, resolving all Service Requests and validating the Accident Log for an incident remains in effect. In addition, the Caltrans Maintenance Manual, Volume I, Section 1.12.3 states that the damage reporting process is very important to the Maintenance Program and every effort should be made to complete the Damage Reporting process within 90 days.

Untimely validation of log reports delays the billing process and reduces the likelihood of recovery from responsible parties due to the Statute of Limitations. This limits the Department's ability to recover monies that would offset the damage repair costs incurred as a result of damage to the State Highway system.

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Recommendation:

We recommend that the district ensure that Damage Claim Accident logs are validated within 90 days of the Service Request date in order to maximize the Department's recovery rate of incurred damage costs.